

## Message Text

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PAGE 01 FREETO 04119 211431Z

ACTION AF-10

INFO OCT-01 ISO-00 EB-08 /019 W

-----115713 211934Z /43

R 211054Z DEC 77

FM AMEMBASSY FREETOWN

TO SECSTATE WASHDC 6742

INFO USDOC WASHDC

AMEMBASSY CONAKRY

AMEMBASSY MONROVIA

LIMITED OFFICIAL USE FREETOWN 4119

USDOC FOR OPIC

EO 11652: NA

TAGS: EALR, EMIN, EINV, SL

SUBJ: ALUSUISSE AND GOSL MINING POLICY

REF: (A) FREETOWN 3643, (B) FREETOWN A-6

1. SUMMARY: GOSL IS PUSHING TO IMPLEMENT ITS LEGISLATED MINING POLICY OF A 51 PERCENT EQUITY INTEREST IN FOREIGN MINING OPERATIONS. ALUSUISSE HAS THUS FAR BEEN UNABLE TO REACH AGREEMENT WITH GOSL CONCERNING ITS PRESENT SIEROMCO OPERATION OR ITS PROPOSED PORT LOKO VENTURE. GOSL WILL UNDOUBTEDLY PUSH FOR MAJORITY INTEREST IN ALL NEW AGREEMENTS. END SUMMARY.

2. GOSL AND ALUSUISSE AGREED IN JANUARY TO NEGOTIATE BEFORE THE END OF THE YEAR ON THE BASIS OF THE GOVERNMENT'S MINING POLICY. ALUSUISSE FEELS THAT A MAJORITY GOVERNMENT INTEREST WOULD BE DETRIMENTAL TO THE COMPANY AND THEY CITE THE DECLINE OF DIMINCO (51 PERCENT OWNED BY GOSL) AS AN EXAMPLE.

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3. ALUSUISSE HAS NOT YET REACHED AN AGREEMENT REGARDING THE EXPLOITATION OF BAUXITE RESERVES IN THE PORT LOKO AREA. ALUSUISSE PROPOSED A 50/50 ARRANGEMENT IN WHICH THE NEW COMPANY WOULD BE EXEMPTED FROM TAX AND ROYALTIES. GOVERNMENT WOULD RECEIVE ITS SHARE OF EQUITY WITHOUT CASH IN EXCHANGE FOR THE ORE DEPOSITS AND INFRASTRUCTURE (HARBOR RAILWAY AND EXISTING ROADS). GOVERNMENT HAS COUNTERED WITH A PROPOSAL

WHICH GIVES GOSL A 51 PERCENT EQUITY AND ALUSUISSE PAYS ROYALTIES. IN TURN GOSL WILL PROVIDE ORE DEPOSITS, INFRASTRUCTURE AND SOME FINANCING (FIVE TO TEN MILLION DOLLARS). AS GOSL DOES NOT HAVE CAPITAL AN ARAB COUNTRY SOURCE OF FUNDS IS POSSIBLE.

4. PRESENT NEGOTIATING DOES NOT EFFECT IN PLACE U.S INTEREST (SIERRA RUTILE AGREEMENT 47 PERCENT GOSL, 53 PERCENT BETH. STEEL - NORD RESOURCES). HOWEVER, IT DOES INDICATE GOSL INTENT TO PUSH FOR COMPLIANCE WITH THE NATIONAL MINING POLICY. LINEHAN

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## Message Attributes

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**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
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**Retention:** 0  
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**Review Markings:**  
Margaret P. Grafeld  
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